



# Strategic Purchasing Initiative

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Executive Briefing  
*March 2005*



PI

# Meeting Purpose

## Part 1

- **Objectives:**

- Review components of USMC Strategic Purchasing Initiative
  - Strategic Sourcing and Commodity Council work (external strategy)
  - Process analysis and improvement (internal strategy)
- Review actions and timeline
  - SPI Coordination w/ PPBE

- **Requested Decision:**

- ☐ Approve selected commodities for first wave Strategic Sourcing/Commodity Council work

## Part 2

- **Objective:**

- Review process improvement e-tool concept
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# SPI Mission

Conduct an end-to-end review of Marine Corps product and service acquisition practices in order to identify opportunities for improvement.

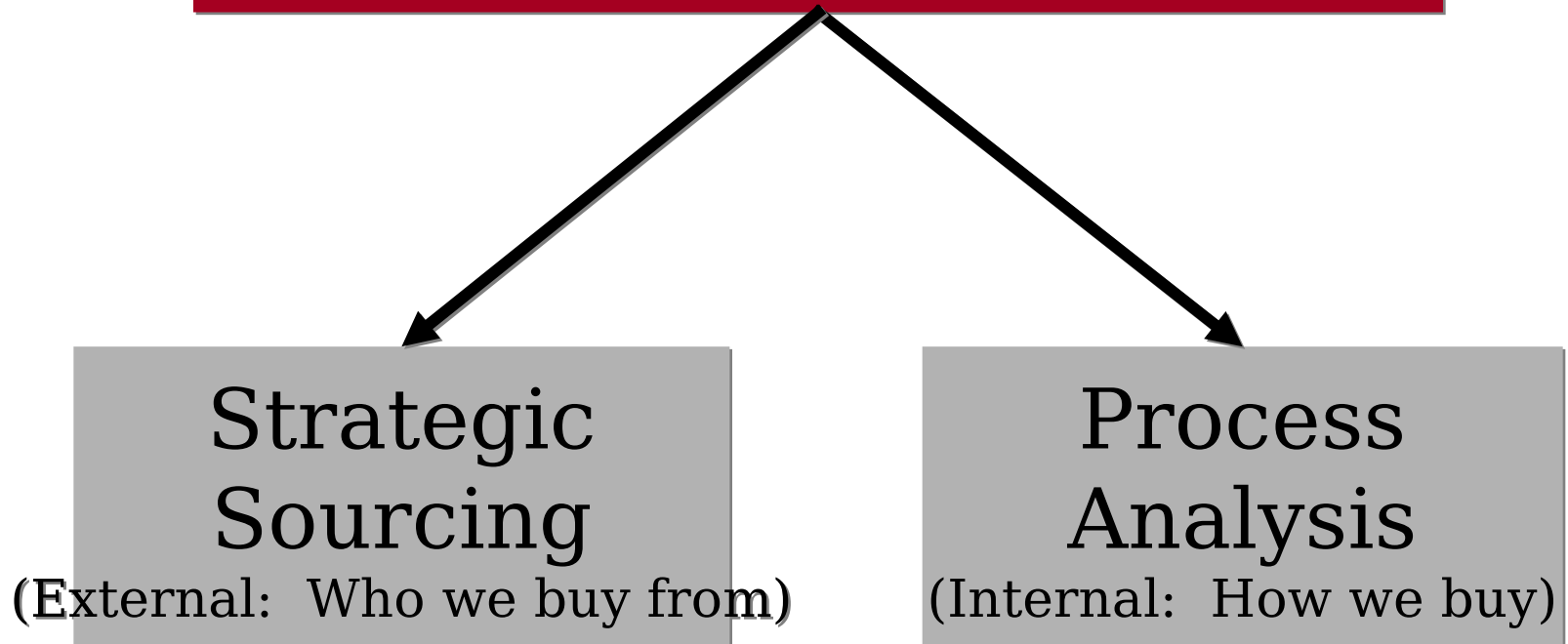
*Coordinate the development, approval, and implementation of action plans based on the following approaches:*

- (1) Coordination with other related initiatives*
- (2) Process mapping and analyses*
- (3) Spend analyses – Strategic Sourcing*



# SPI Elements

Strategic Purchasing Initiative (SPI)





# **Strategic Sourcing/ Commodity Council Work**



# Major Finding

**DoD and All Services are conducting SPI, under varying names:**

- **Most align terminology w/ DoD's Defense-Wide Strategic Sourcing (DWSS)**
- **Most align processes with DWSS**
- **SPI has used DWSS CONOPS to support Commodity Council Plan**



# Sample of Other Services' Commodity Councils

## Navy

- Cell Phones
- Office Supplies
- Furniture/Fixtures
- Admin Services
- Medical Services

- Medical Services
- Air Force Material (many)

- Cell Phones

- Medical Services

## DoD

- Medical Services (Army lead)
- Clerical Support (Navy lead)

## DLA

- Supplier Alliances

## TRANSCOM

- Current Rand Study



# Commodity Council USMC Process

## USMC Process

**1. Enterprise-wide  
Opportunity  
Assessment**

**2. Profile  
Commodity**

**3. Profile  
Market**

**4. Develop  
Strategy**

**5. Approve  
Strategy  
Share with  
DWSS**

**6. Implemen  
t Strategy**

**7. Manage  
Performan  
ce**

*Commodity Teams are the key component for developing and executing sourcing strategies. Commodity Teams will execute a majority of the work and present the resulting outputs to their chain of command.*

**USMC Process  
Follows DWSS  
Process**

## Defense-wide Strategic Sourcing (DWSS) Process







# USMC Commodity Council Process

## 1. Enterprise-wide Opportunity Assessment

**Input:**

**High level spend analysis**

**Output:**

**List of potential commodities**

**Deliverable:**

**Draft CC charter**

## 2. Profile Commodity

**Inputs:**

**Charter, Spend analysis data,  
Training**

**Output:**

**Profound understanding of  
commodity being procured**

**Deliverable:**

**Commodity Profile (data and brief)**

## 3. Profile Market

**Inputs:**

**Spreadsheet and brief  
Consultant assistance**

**Outputs:**

**Market data including cost, profit,  
vulnerability, importance of USMC  
volume, management, transaction  
costs, economies of scale, drivers,  
consumer concerns, industry  
forecasts, etc.**

**Deliverable:**

**Market Profile (data and brief)**



# USMC Commodity Council Process

## 4. Develop Strategy

### Inputs:

Commodity profile  
Market profile  
General policy guidance  
Generic strategies

### Outputs:

Strategy tailored to specific  
commodity  
Simple business case  
Estimated savings  
Milestones for “Savings Capture  
Letter” for P&R programming

### Deliverables:

**Sourcing strategy BCA**  
**Detail on source of estimated savings**  
**Draft “Anticipated Savings Letter”\***  
**(warning order) from LR to RPD for**  
**potential savings and anticipated**  
**time frame for “Savings Capture**  
**Letter” (execution order)**  
**Brief**

**\*Note: See Sample Anticipated Savings Letter and enclosure**



# USMC Commodity Council Process

## 5. Approve Strategy Share with DWSS

Steps 1-5 =  
~6-9 months

**Inputs:**

Step 4 deliverables

Oral presentation

**Output:**

**Go/No Go decision w/wo amplifying guidance**

**Deliverables:**

**Anticipated Savings Letter**

**Transmittal of strategy to applicable contracting staff**

**Brief for (1) ESG, (2) CBC, and (3) DWSS SSDB**

## 6. Implement Strategy

**Inputs:**

Step 5 deliverables

CC consultation, background materials, and assistance

**Output:**

Strategy execution

**Deliverables:**

**Orders placed with applicable source**

**Savings Capture letter from LR to RPD**

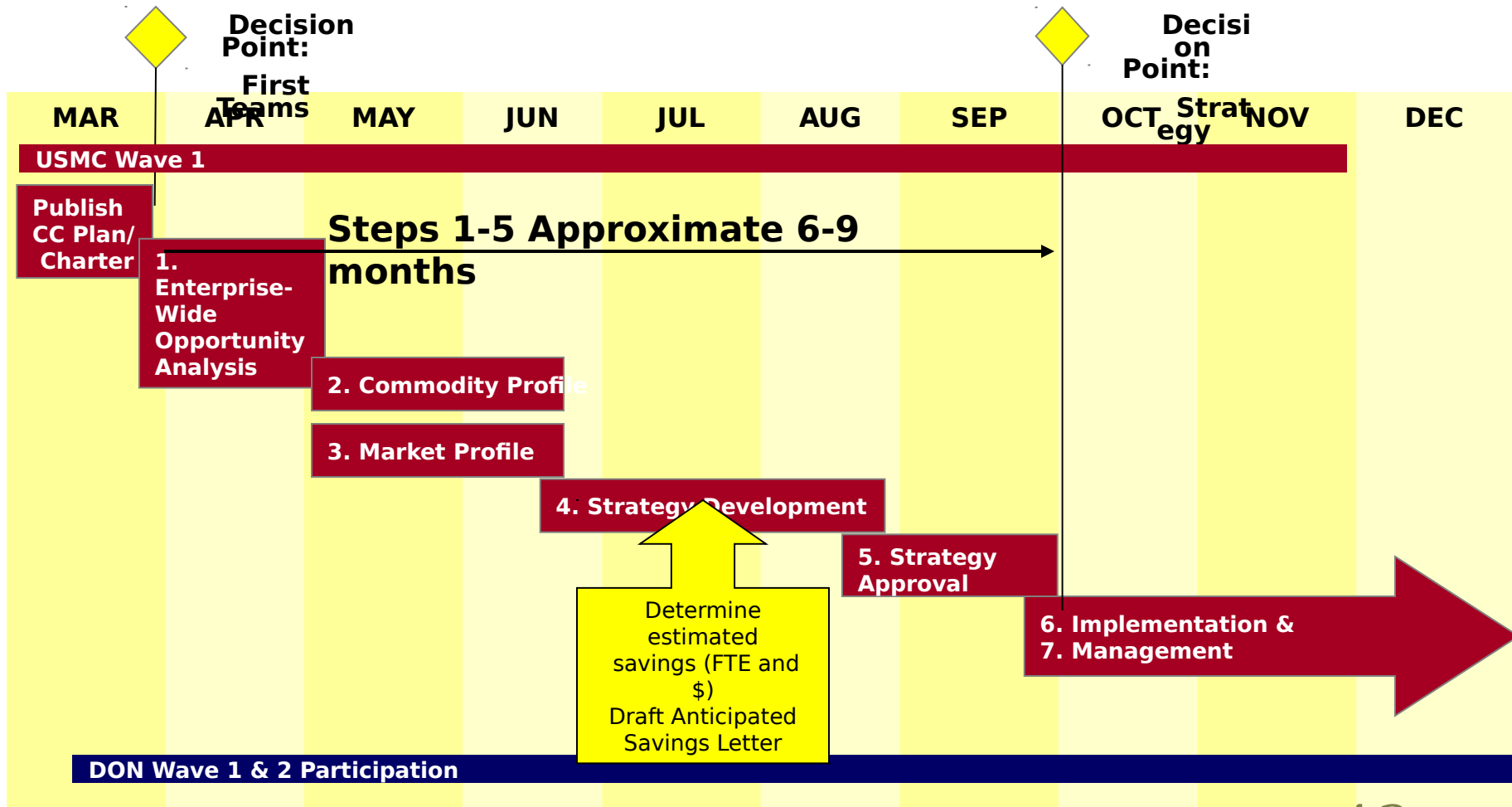
## 7. Manage Performance

**Output:**

CC transition and exit  
Return to step 1 → **Enterprise-wide Opportunity Assessment**



# USMC Commodity Team Wave 1 Timeline





# Potential Risks to PPBE Timeline

Potential Risk	Mitigation Efforts	If Risks are Not Mitigated
<b>Lengthy contracting process for strategy implementation</b>	<ul style="list-style-type: none"><li>✓ Involving contracting personnel on commodity teams for early input</li><li>• Identify best alternative for timely award</li><li>• Streamline execution process</li></ul>	<ul style="list-style-type: none"><li>• Strategies unable to be implemented</li><li>• Savings not harvested</li></ul>
<b>Lengthy contracting process for acquiring CC support</b>	<ul style="list-style-type: none"><li>✓ Involving contracting personnel on commodity teams for early input</li></ul>	<ul style="list-style-type: none"><li>• Delay in savings</li><li>• Potential loss of funds for contract (if near year-end)</li></ul>
<b>Buy-in from commodity stakeholders</b>	<ul style="list-style-type: none"><li>• Involving stakeholder reps on commodity team</li><li>• Identifying expected savings or cost avoidance for stakeholder</li></ul>	<ul style="list-style-type: none"><li>• Strategies unable to be implemented</li><li>• Savings not harvested</li><li>• Stakeholders continue doing more with less</li></ul>
<b>Lack of clarity on P&amp;R Requirements</b>	<ul style="list-style-type: none"><li>• Obtaining P&amp;R feedback on draft "Anticipated Savings letter" and format of data</li></ul>	<ul style="list-style-type: none"><li>• Submission to P&amp;R will be ineffective and savings will not be programmed</li></ul>



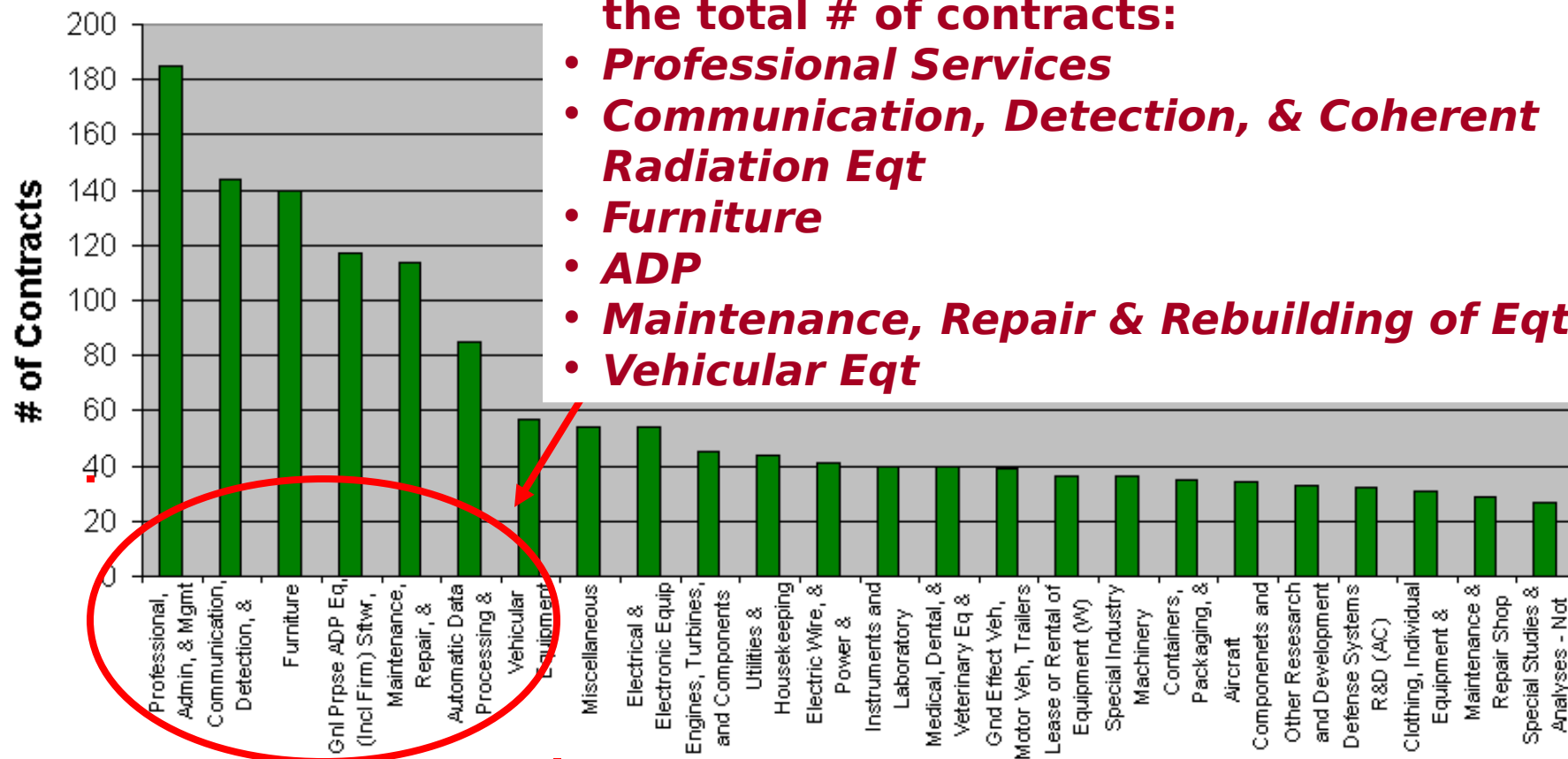
# Where should we start?

## USMC Commodity Council Data

### Top Commodities (# of Contracts)

**Six commodities represent over 30% of the total # of contracts:**

- **Professional Services**
- **Communication, Detection, & Coherent Radiation Eqt**
- **Furniture**
- **ADP**
- **Maintenance, Repair & Rebuilding of Eqt**
- **Vehicular Eqt**





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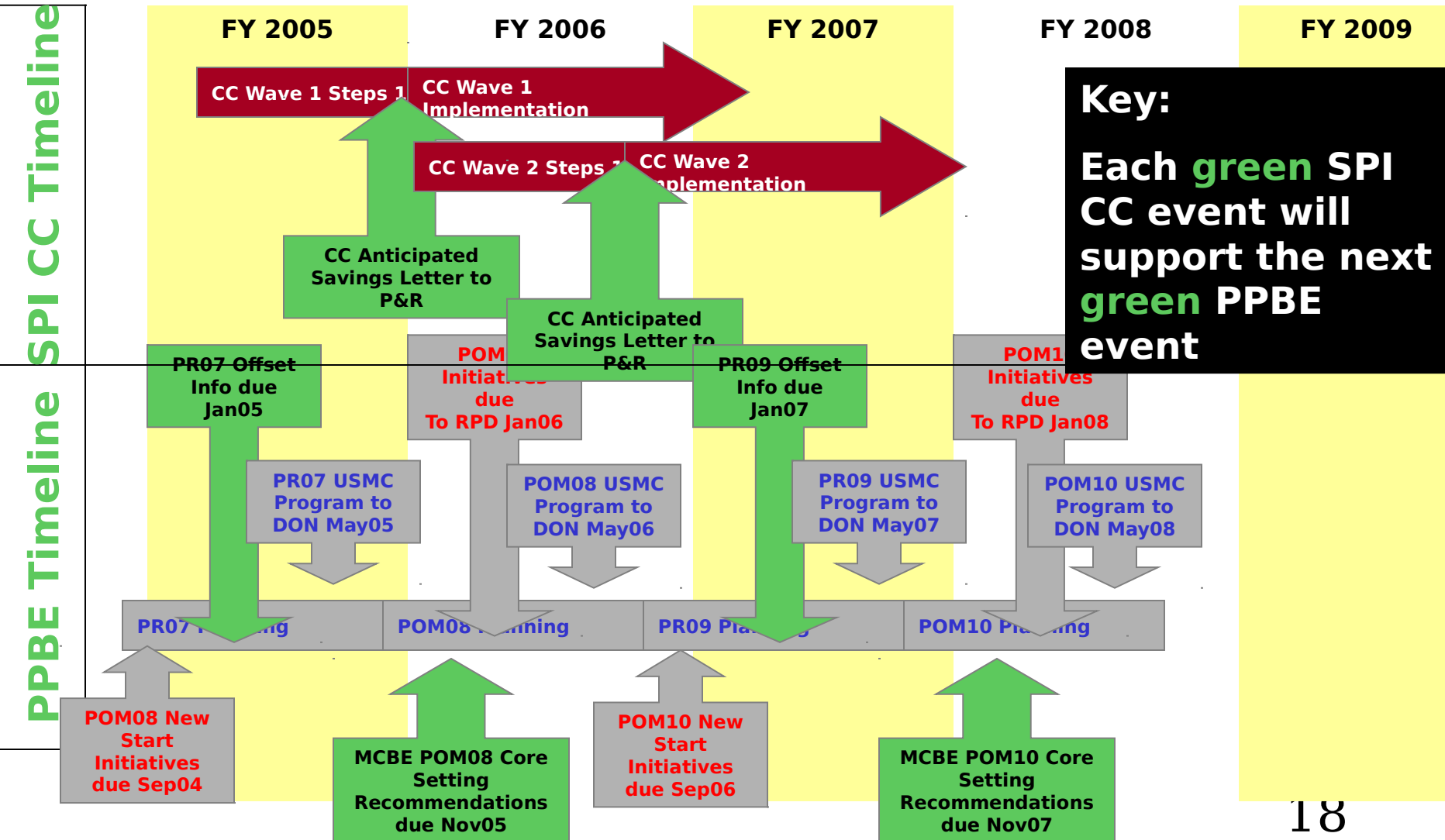
# Baseline Data

Commodity	Baseline	Year	Source	Notes
<b>MARINE CORPS LEAD</b>				
Professional Services	\$304,000,000	2003	Rand	"Rx", includes admin, excludes some technical
ADP	\$94,000,000	2003	Rand	"Dx", service only
<b>NAVY/DOD LEAD</b>				
Cell phones	\$4,625,000	2004	RFA	this may only represent portion, better data available in 05, DoD CC should have more information - researching
Furniture	\$43,000,000	2003	Rand	~50% housing
Office Supplies	\$19,000,000	2003	DD350	
<b>OTHER AREAS OF INTEREST</b>				
Cognos Licensing	TBD			
Laundry	\$2,100,000	2003	Rand	
Base Retail Supply	TBD			Study concurrent w/ SPI
<i>Total Baseline for First CC's:</i>	\$466,725,000			



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# Timeline: SPI & PPBE







# Proposed First Wave USMC Commodity Topics

- **First Wave Tier I (USMC-lead)**

- Professional Services\*
- ADP Equipment and Service\*

*\*Notes: Pending SPI Executive Council approval  
Support contract includes option for third commodity*

- **First Wave Tier II (Other Service-lead)**

- Furniture (Navy Lead) – USMC Rep: HQMC/I&L(LF)
- Office Supplies (Navy Lead) – USMC Rep: HQMC/I&L(LP)
- Cell Phones (Navy Lead) – USMC Rep: SYSCOM
- Clerical Support (Navy/DoD Lead) – USMC Rep: TBD

- Other Areas of Interest as identified by USMC leadership will be analyzed using strategic sourcing methodologies19



# Decision

- ☐ Approve selected commodities for first wave Strategic Sourcing/Commodity Council work:
  - ☐ Professional Services
  - ☐ ADP Equipment and Services

*First Step: Open communication with functional managers and stakeholders*



# **Service Acquisition Process Analysis And Improvement**



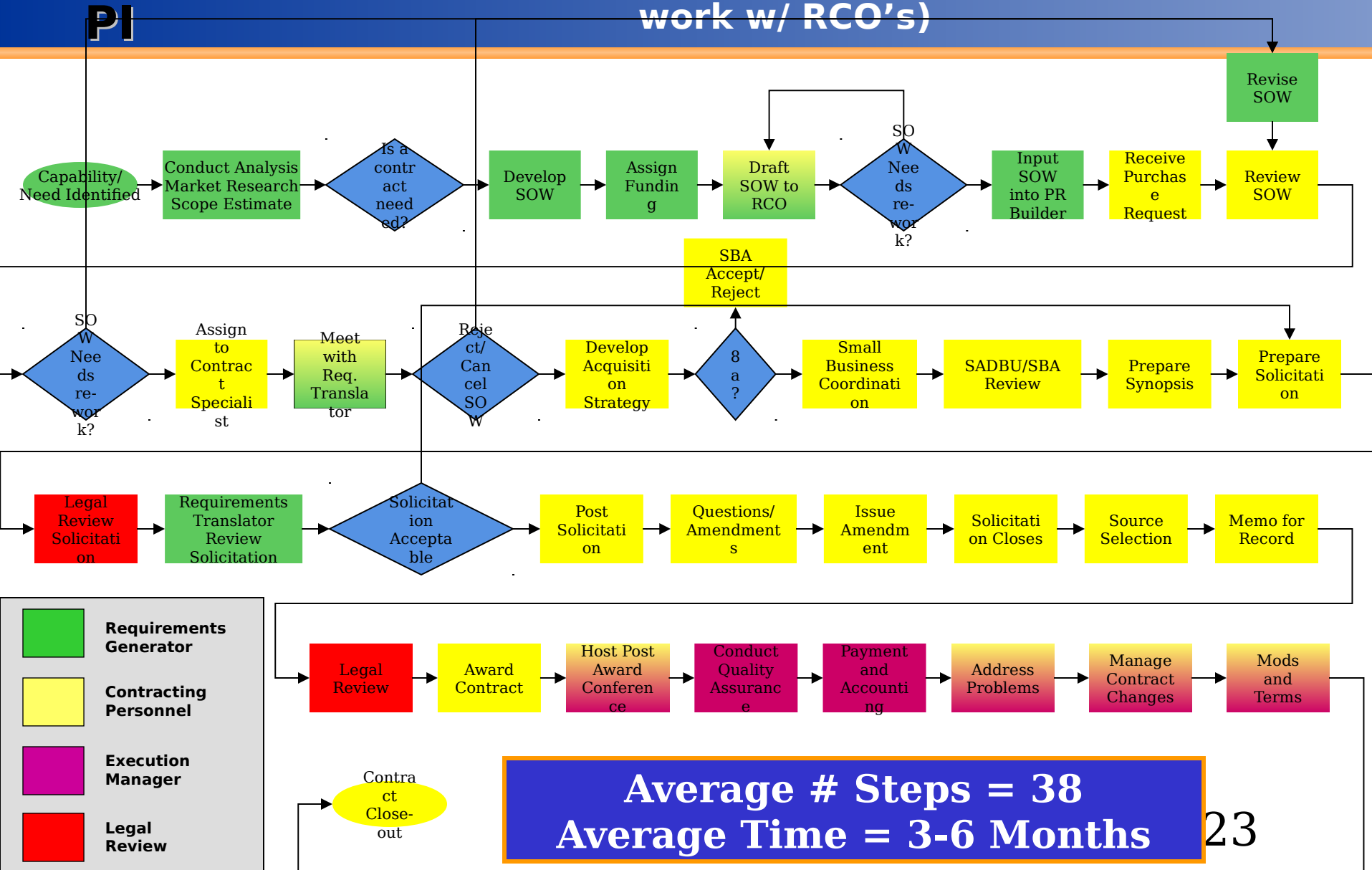
# SPI Process Analysis and Improvement

- “As-is” process maps complete (RCO focus)
- “To-Be” process maps under development
  - Integration of e-tools identified by SPI and LB:
    - Seaport e
    - Common access portal
  - Additional recommendations based on:
    - Reduced variation
    - Reduced number of process steps
  - Recommendations will be socialized w/ LB and RCO’s
  - Implementation plan will include policy and training requirements



# "As-Is" Process Map

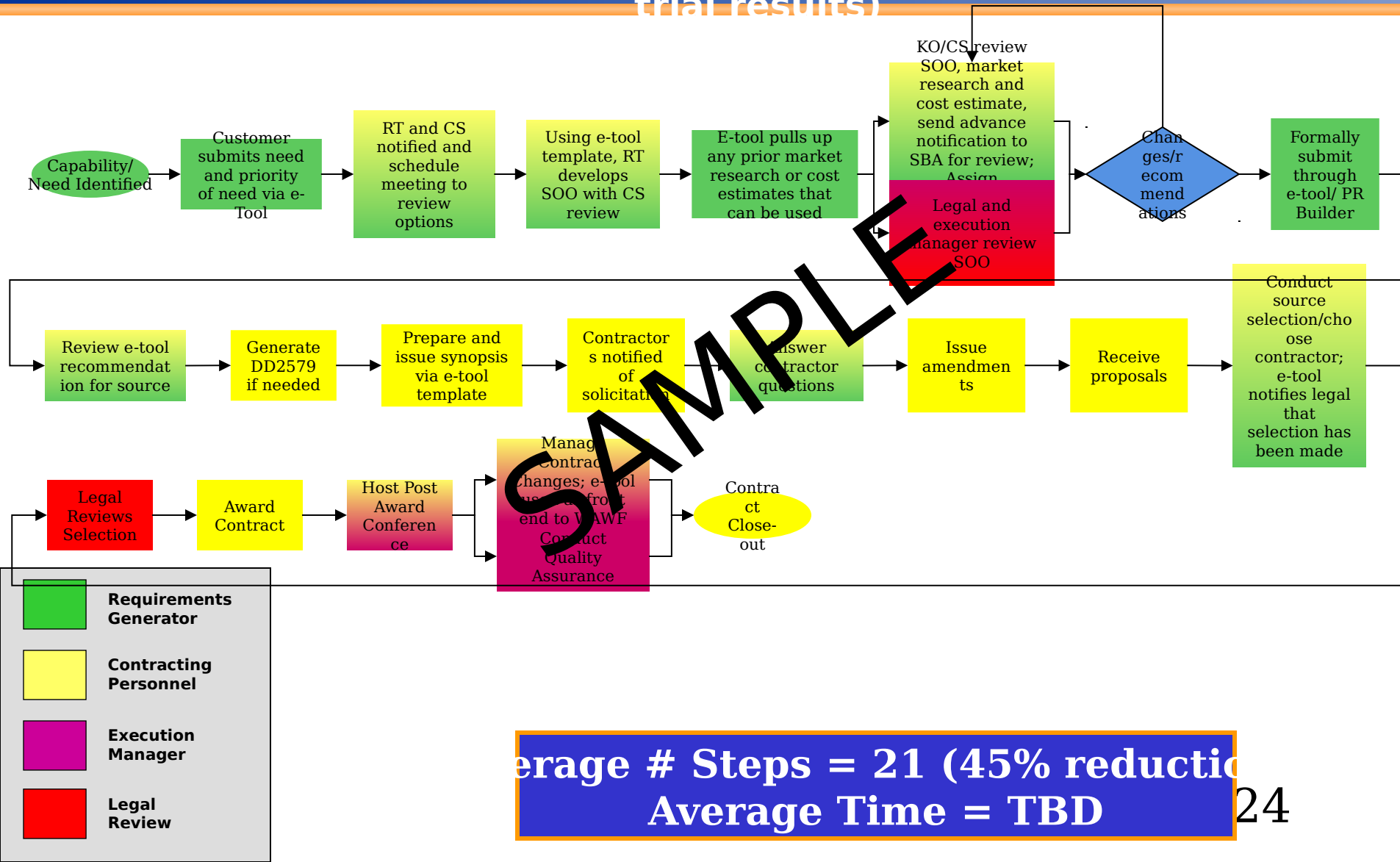
(Based on Service Acquisition Transformation Initiative work w/ RCO's)





# Sample "To-be" Process Map

(Actual to-be process will be based on FY05 analyses and e-tool trial results)



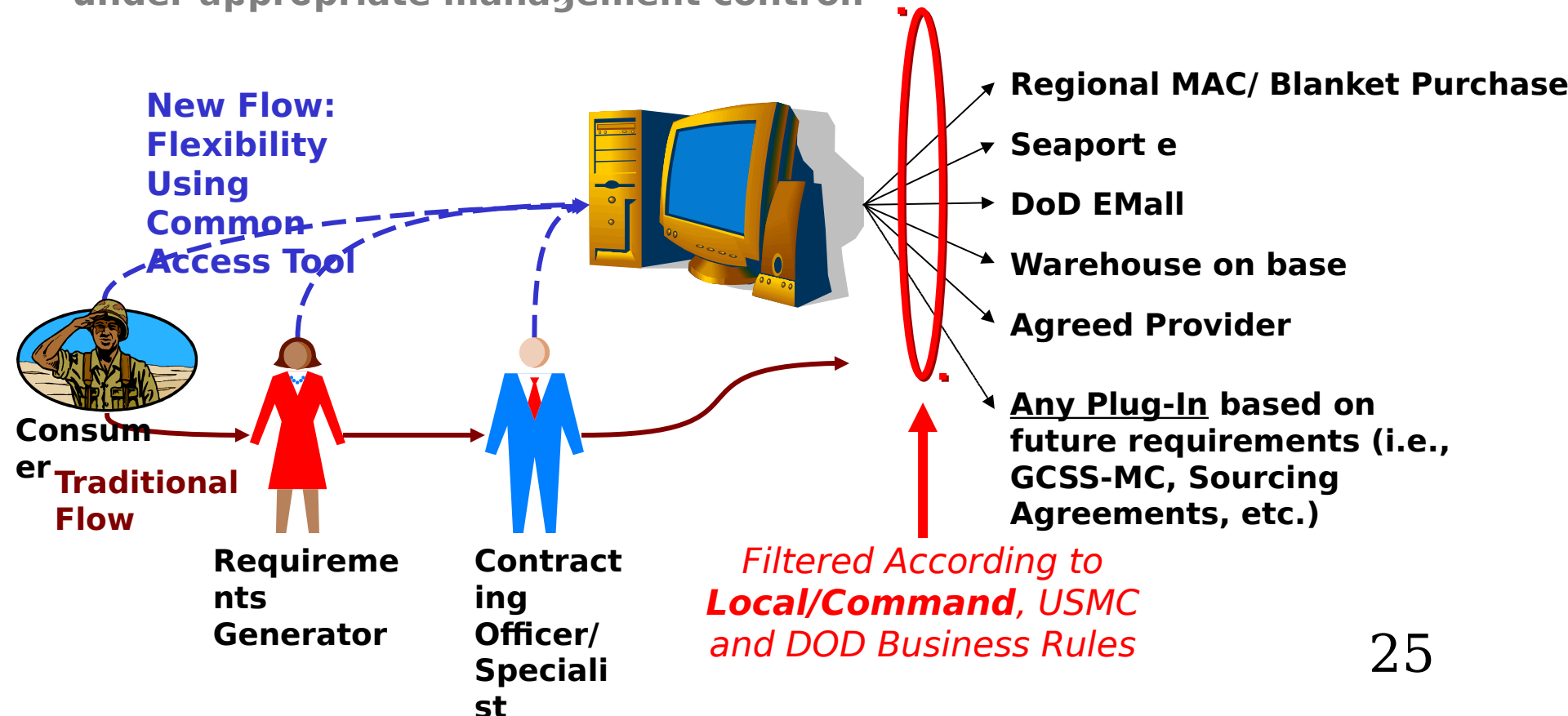


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# E-tool: Common Access/Collaboration

## ACCESS TOOL:

Provides Single Standard Access Point for all USMC Users (consumer, requirements generator, acquisition partner). Consumers will automatically follow current USMC policy. All activity will be conducted under appropriate management control.



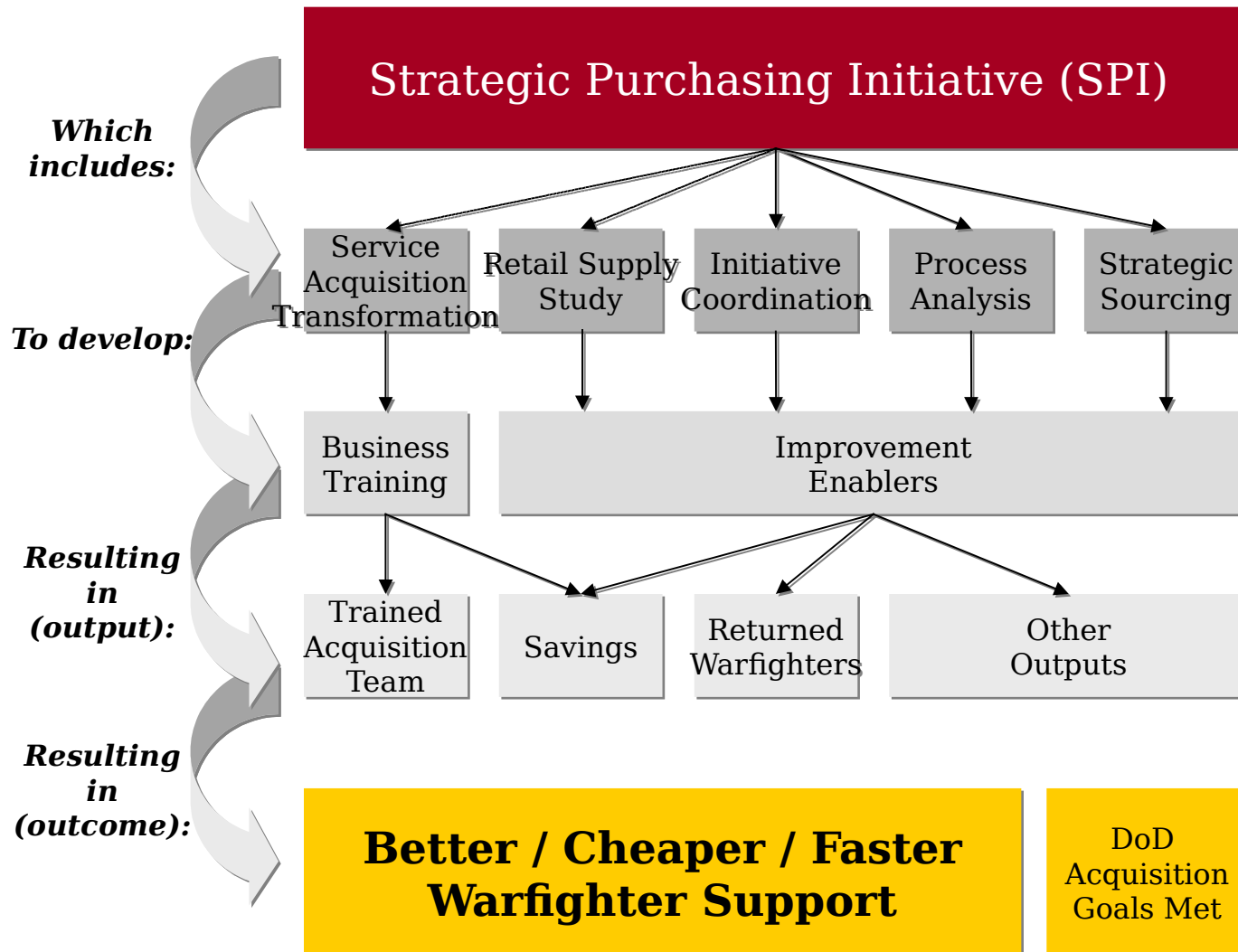


**Back up**





# SPI Elements





# SPI Overview

*How can we improve Marine Corps purchasing of products*

## Service Acquisition + Product Acquisition





# Strategic Purchasing Related Higher HQ Intent

**“Marine Corps business transformation will expand its current focus...by reaching across the entire enterprise to initiate end-to-end business process improvements that will drive innovation and change, and further increase effectiveness and efficiency.”**

MROC DM 27-2004 (12APR04)

**“Aggressively pursue Marine Corps Business Enterprise initiatives to improve end-to-end processes and ensure we efficiently and effectively allocate resources for continued warfighting excellence.”**

POM06 CMC GUIDANCE (POM SERIAL 06-09, 2 APR 04)



# Proposed Second Wave USMC Commodity Topics

- **Second Wave Tier I (USMC-lead)**
  - Maintenance/Repair/Rebuilding of Equipment\*
  - Vehicular Equipment and Spare Parts\*  
*\*Note: Pending SPI Executive Council approval*
- **Second Wave Tier II (Other Service-lead)**
  - Hardware (Navy Lead) – USMC Rep: TBD
  - Medical/Surgical Instruments and Supplies (Navy Lead)
    - USMC Rep: N/A
- Other Areas of Interest as identified by USMC leadership will be analyzed using strategic sourcing methodologies



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# Resources

## INITIAL

- Spend Analysis (\$150k)
- NAVFAC (2.5 people)
- LR (.5 person)
- PBSA Resources
- IPT Participation
  - LB/LX/LF/LK
  - P&R
  - MCCS
  - SYSCOM
  - LOGCOM
  - LP (Advisory)

## NEAR-TERM (estimate)

- NAVFAC (3 people)
- LR (1 person)
- PBSA Resources
- IPT Participation
- Contract Support
  - Censeo for first wave CC's (\$450k)
  - Support for next CC's TBD
- Commodity Team Participation
- Implementation Investments
  - E-tool trial at Quantico (\$750k)

**Key Resource: Executive Commitment**



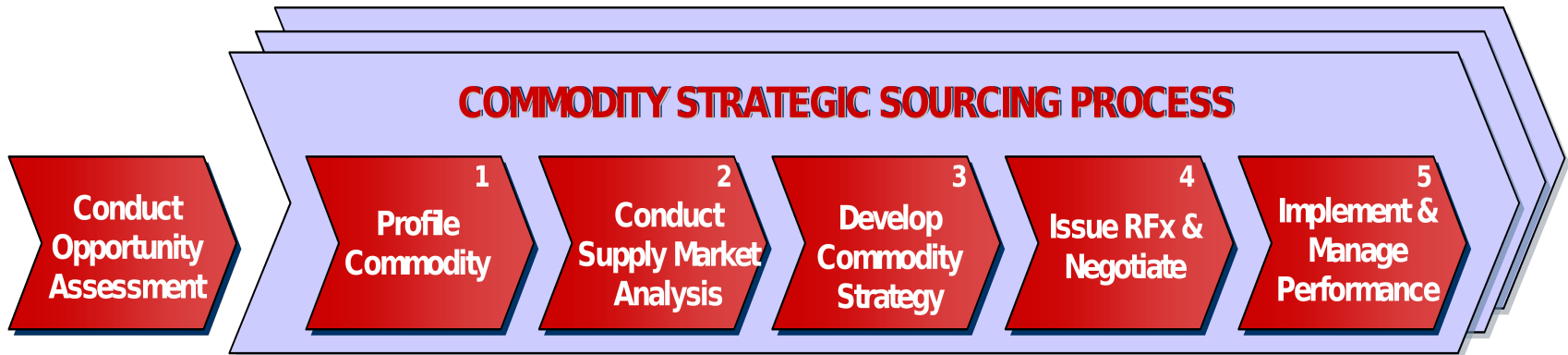
# Commodity Council Approach

USMC	OTHER SERVICES
<b>Spend Analysis: USMC smaller so we start by roll up FSC/PSC's</b>	<b>Others are large so they immediately start slicing within FSC/PSC's</b>
<b>Attacking hard topics first</b>	<b>Attack easy topics first</b>
<b>One pilot council launching <i>spirals</i> in many commodities</b>	<b>A few pilot councils staying within each launching <i>spirals</i> within one commodity</b>
<b>Early effort: Spinning of councils from pilot</b>	<b>Early effort: Launching successive Waves of councils</b>
<b>Learn from DoD then self</b>	<b>Learn from industry then self</b>



# Commodity Council Process

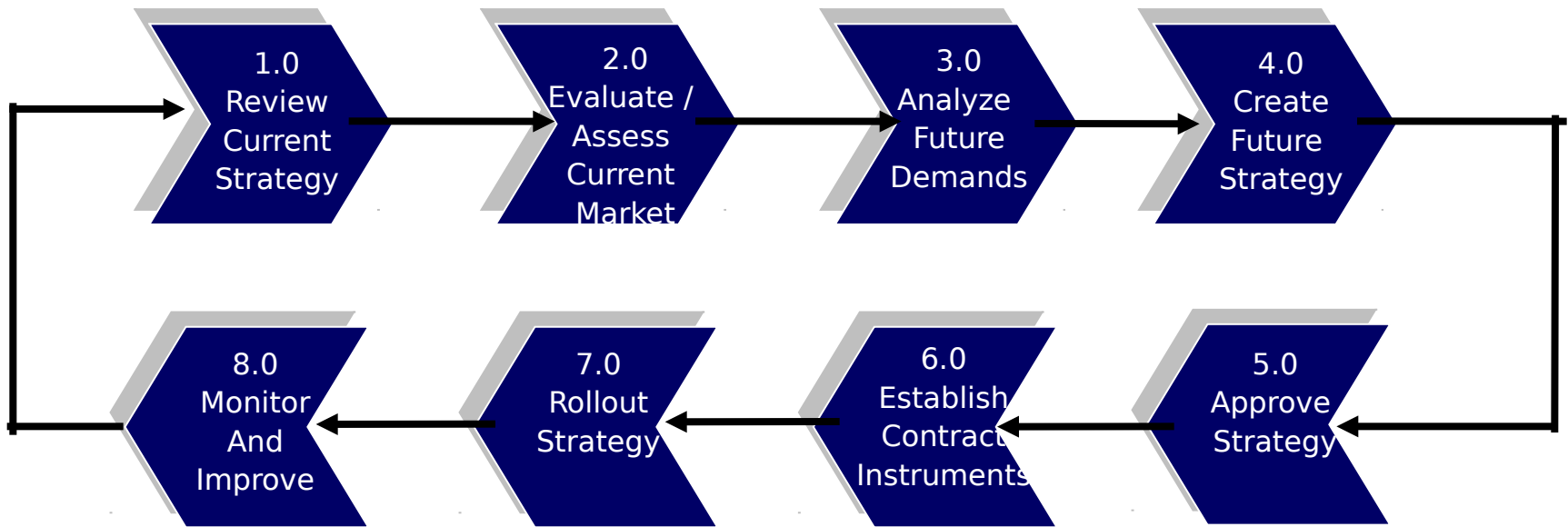
## Defense-Wide Strategic Sourcing (DWSS)



While the graphics and environments are different, the DWSS Commodity Council process is analogous to the USAF. The DWSS graphic was produced for a Navy Department pilot project.



# USAF Commodity Council Eight-Step Process



**Process for continuous improvement**





# USAF Commodity Council Roles

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**Governance**

## **Materiel Governance Board**

**Co-Chairs : AFMC/PK & LG**

**ALC/PKs and CSW Director**

- Set overall CC objectives and goals
- Approve CC strategies, plans and measurements
- Evaluate on-going CC performance

**Policy**

### **Commodity Council Director**

- Executes CC Mgt
- Formulates Accountable for CAMP
- Accountable for

### **Commodity Sub-Council Manager**

- Manages commodity sub-group
- Formulates strategies for sub

### **Data Specialist**

- Performs data analysis
- Ensures quality and availability of data

### **Procurement Manager**

- Develops contract and sourcing strategy
- Executes contract

### **Sourcing Supply Analyst**

- Conducts spend and strategy analysis
- Develops/manages Supplier Scorecards

### **Commodity Council Deputy Director**

- Manages council
- Coordinates the matrix support team
- Responsible for assembling the CAMP

### **Commodity Supply Chain Analyst**

- Commodity SC Strategic Planning
- Continuous Process Improvement POC

### **Market Intelligence Analyst**

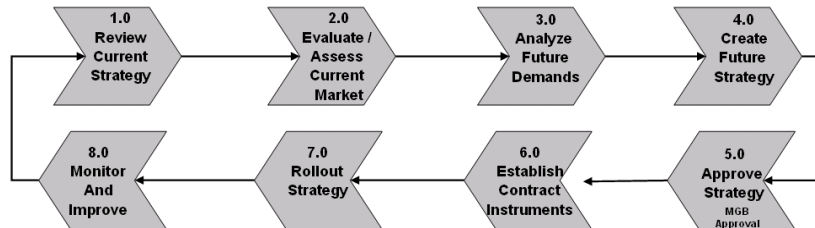
- Research, analyze and interpret market research
- Builds knowledge repository

### **Business Requirements Analyst**

- Customer Relations POC
- Interpret customer needs

### **Commodity Expert**

- Engineering and technical expert
- TDA + Engineer
- Commodity Standardization





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# USAF Commodity Councils

<b>Commodity Group</b>	<b>Lead ALG</b>	<b># of CAGEs</b>	<b>Stock #s</b>	<b>Stock #s / KT</b>	<b># Contracts</b>	<b># Contract Actions</b>
<b>Aircraft Accessories</b>	<b>OC</b>	<b>460</b>	<b>3417</b>	<b>1.59</b>	<b>2148</b>	<b>3136</b>
<b>Aircraft Engines</b>	<b>OC</b>	<b>411</b>	<b>3121</b>	<b>1.85</b>	<b>1689</b>	<b>4018</b>
<b>Aircraft Structural</b>	<b>WR</b>	<b>261</b>	<b>2358</b>	<b>2.05</b>	<b>1148</b>	<b>1591</b>
<b>Communications Electronics</b>	<b>WR</b>	<b>808</b>	<b>11138</b>	<b>2.61</b>	<b>4271</b>	<b>7111</b>
<b>Instruments</b>	<b>OC</b>	<b>324</b>	<b>1862</b>	<b>1.65</b>	<b>1128</b>	<b>1576</b>
<b>Landing Gear</b>	<b>OO</b>	<b>130</b>	<b>1034</b>	<b>1.14</b>	<b>905</b>	<b>1154</b>
<b>Secondary Power</b>	<b>OO</b>	<b>45</b>	<b>253</b>	<b>1.41</b>	<b>180</b>	<b>253</b>
<b>Support Equipment</b>	<b>WR</b>	<b>910</b>	<b>3641</b>	<b>.88</b>	<b>4159</b>	<b>5106</b>
<b>TOTALS</b>		<b>3349</b>	<b>26824</b>	<b>1.72</b>	<b>15628</b>	<b>23945</b>



# SPI: What's Different? Policy

	<b><u>From</u></b> Tactical Approach	<b><u>To</u></b> Strategic Approach
<b>Strategy</b>	Local strategies, Not Enterprise wide	Enterprise-wide strategies
<b>Organization</b>	Decentralized Maverick Buying	Enterprise wide linkages Cross-Function
<b>Processes</b>	Decentralized Inconsistent Paper Intensive	E-procurement Very Consistent <sub>37</sub> Paperless



# SPI: What's Different? Relationships

	<u>From</u> <b>Tactical Approach</b>	<u>To</u> <b>Strategic Approach</b>
Suppliers	Reactive relationships No collaboration	Proactive collaboration Supplier scorecards
Customers	Unsatisfied, Using Work-arounds, No Feedback	Active CRM Provider of choice
Procurement Staff	Buying Specialist, Tactical, Risk Averse	Strategic (& tactical) Sourcing Experts



# SPI: What's Different?

## Supplier Realm

	<u>From</u> <b>Tactical Approach</b>	<u>To</u> <b>Strategic Approach</b>
Suppliers	<ul style="list-style-type: none"> <li>• Many</li> <li>• Ok sources, lowest price</li> <li>• Adversarial</li> </ul>	<ul style="list-style-type: none"> <li>• Few</li> <li>• Best source, lowest TOC</li> <li>• Partnering</li> </ul>
Supply Base Management	<ul style="list-style-type: none"> <li>• Churn short term contracts</li> <li>• Diffused (roles &amp; sites)</li> <li>• Primary concern – Competition</li> </ul>	<ul style="list-style-type: none"> <li>• Longer term contracts</li> <li>• A lead long term voice</li> <li>• Primary concern – Lowest total cost</li> </ul>
Supplier Management	<ul style="list-style-type: none"> <li>• Informally evolves</li> <li>• Many contracts, contracting offices, and focal points</li> <li>• Peer leverage &amp; peer trust</li> </ul>	<ul style="list-style-type: none"> <li>• Formally assigned</li> <li>• Few larger contracts at few contracting offices</li> <li>• Increased leverage &amp; trust</li> </ul>



# SPI: What's Different?

## Enterprise Realm

	<u>From</u> <b>Tactical Approach</b>	<u>To</u> <b>Strategic Approach</b>
Teams	<ul style="list-style-type: none"><li>• Many, ad hoc teams</li><li>• Junior level personnel</li></ul>	<ul style="list-style-type: none"><li>• Fewer cross function teams</li><li>• Broader skill sets</li><li>• More senior/seasoned</li></ul>
Critical skills	<ul style="list-style-type: none"><li>• Firming up requirements</li><li>• Compliance orientation</li><li>• Incremental improvement</li><li>• Minimize management burden/participation</li></ul>	<ul style="list-style-type: none"><li>• Discretion</li><li>• Collaboration with experts</li><li>• Critical analysis</li><li>• Process improvement</li><li>• Strategic Sourcing</li></ul>
Requirement Generators	<ul style="list-style-type: none"><li>• Talk among themselves</li><li>• Functionally oriented incentives</li></ul>	<ul style="list-style-type: none"><li>• Cross functional comm.</li><li>• Cross function problem solving</li></ul>



# Commodity Council Initiative IOC to FOC

- Phase I Initial Operating Capability (IOC)
- Phase II Commodity Council Spin Off
- Phase III Full Operating Capability (FOC)
- Phase IV SPI IPT Reconstitution



# Phase I

## Initial Operating Capability (IOC)

- Purpose is gain CC expertise
- Main Effort is to launch initial spirals
  - Tier I Spirals: Professional Services & ADP
  - Tier II Spirals: Office Supplies & Office Furn.
- End State: At least two of the spirals result in an enterprise wide change (note a spiral may complete without resulting in an enterprise change)





# Phase II

## Commodity Council Spin Off

- Purpose is to clarify issues involving coordination of multiple CC's & define allowable CC variants
- Main Effort is to initiate two (2) permanent commodity councils and harvest & documenting savings
- End State: Three (3) coordinated CC & an SPI Executive Committee approval



# Phase III

## Full Operating Capability (FOC)

- Purpose is to apply (on a sustained basis) an enterprise wide approach to buying products & services IOT optimize FMF support
- Main Effort is optimizing support of USMC
  - Documenting results
  - Adjusting as needed to improve
- End State: This phase is ongoing



# Phase IV

## SPI IPT Reconstitution

- Purpose is split the two roles of the SPI IPT
  - Residual CC efforts (if any)
  - Working level oversight of other CC's
- Main Effort is to develop a decision brief that explains the two roles.
- End State: The SPI Executive Committee approves the decision brief



# SPI Stakeholders

